

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MARKET DOMINANT PRODUCT PRICES
INBOUND MARKET DOMINANT MULTI-SERVICE AGREEMENTS
WITH FOREIGN POSTAL OPERATORS

POSTNL - UNITED STATES POSTAL SERVICE BILATERAL
AGREEMENT (MC2010-35)
NEGOTIATED SERVICE AGREEMENT

Docket No. R2015-3

**UNITED STATES POSTAL SERVICE COMMENTS IN RESPONSE TO PUBLIC
REPRESENTATIVE COMMENTS ON POSTAL SERVICE NOTICE CONCERNING
TYPE 2 RATE ADJUSTMENT AND
ROYAL POSTNL BV NEGOTIATED SERVICE AGREEMENT
(December 5, 2014)**

This response addresses the comments filed by the Public Representative in this docket on December 2, 2014,¹ and focuses on the Public Representative's conclusion that "the Postal Service d[id] not demonstrate that the negotiated rates in [the] PostNL 2014 Agreement 'improve the net financial position of the Postal Service.'"²

The Public Representative's conclusion appears to be based on mistaken assumptions. First, when comparing the negotiated rates in the Royal PostNL BV – United States Postal Service Strategic Bilateral Agreement (2014 PostNL Agreement) with the Universal Postal Union (UPU) default rates, the Public Representative applied a quality of service link multiplier to the UPU default rates, but the same multiplier was not applied to the rates resulting from the bilateral. Annex 1 to the Agreement makes clear that the quality of service effects are factored into the contract rates. The inconsistent

¹ Public Representative Comments on Postal Service Notice Concerning Type 2 Rate Adjustment and Royal PostNL BV Negotiated Service Agreement, Docket No. R2015-3 (December 2, 2014).

² *Id.* at 5.

application of the multiplier thus results in erroneous conclusions regarding the effect of the 2014 PostNL Agreement on the net financial position of the Postal Service. Second, the multiplier applied to the UPU default rates by the Public Representative reflects Postal Service performance in 2013, but it is not necessarily a given that performance under the contract will mirror 2013 performance. Instead, the multiplier used by the Postal Service incorporates more recent data.

As described above and in other Postal Service submissions in this docket,³ the negotiated rates in the 2014 PostNL Agreement improve the net financial position of the Postal Service.

Respectfully submitted,

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³ United States Postal Service Notice of Type 2 Rate Adjustment, Notice of Filing Functionally Equivalent Agreement and Application for Nonpublic Treatment, Docket No. R2015-3 (November 14, 2014).